



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2018

(Expressed in Canadian Dollars, Unless Otherwise Noted)

DATE OF THE REPORT: JUNE 14, 2019

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Tectonic Metals Inc. ("Tectonic" or the "Company") together with its subsidiaries as of the date of the report, and is intended to supplement and complement the Company's audited consolidated financial statements for the year ended December 31, 2018 and period April 7–December 31, 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information contained within this MD&A is current to the date of the report and all figures are stated in Canadian dollars unless otherwise noted.

## OVERVIEW

Tectonic was incorporated on April 7, 2017 under the laws of the British Columbia Business Corporations Act. The Company's principal business activities include the identification, acquisition and exploration of mineral properties primarily in the United States and Canada. The Company's exploration is focused on precious and base metals with an emphasis on gold. On May 13, 2019 Tectonic announced a private placement issuance concurrent with the intent to list all the Company's outstanding common shares on the Toronto Venture Stock Exchange (the "TSXV").

## HIGHLIGHTS AND DEVELOPMENTS

- *On May 13, 2019, the Company announced a private placement concurrent with the intent to list all of the Company's outstanding common shares on the TSXV*
- *During the year ended December 31, 2018, the Company completed a private placement financing for gross proceeds of \$6,294,825*
- *During the year ended December 31, 2018, the Company entered into two mining lease agreements and one option agreement*
- *During the year ended December 31, 2017, the Company entered into one mining lease agreement*
- *During the year ended December 31, 2018, the Company conducted sampling, trenching, and geophysics on the Company's mineral properties*
- *By December 31, 2018, the Company had its management team in place with the hiring of a full-time Chief Executive Officer, Chief Financial Officer, and Vice-President of Exploration and the appointment of four directors to the Board of Directors*

## PROPOSED TRANSACTION

On May 13, 2019, the Company announced a private placement of up to 14,285,715 special warrants at \$0.35 per special warrant (the "Special Warrants") concurrent with the intent to list all of the Company's outstanding common shares on the TSXV. Upon closing of the private placement, the Company has 120 days to obtain a receipt for a final non-offering prospectus with the TSXV or the Company will be obligated to issue an additional 10% Special Warrants to existing Special Warrant holders. Each Special Warrant entitles the holder to one common share and one warrant exercisable into one common share of the Company with an expiry of two years after the closing of the private placement and an exercise price of \$0.50.

The Company will pay a cash commission of 6% of the brokered gross proceeds, compensation warrants to acquire common shares equal to 6% of the number of brokered Special Warrants sold, and a cash commission of 2% of the non-brokered gross proceeds. The Company will also pay a finance fee of \$100,000 payable \$50,000 in cash and 142,857 Special Warrants.

## MANAGEMENT

As of the date of this report, the following individuals are officers of Tectonic:

### *Antonio Reda, President, Chief Executive Officer & Director*

Prior to founding Tectonic, Mr. Reda was Vice President, Corporate Development for Kaminak Gold Corporation ("Kaminak") where he was responsible for executing Kaminak's strategic planning, business development, capital raises and marketing while overseeing Kaminak's public relations and investor communications.

### *Krysta Rehaag, Chief Financial Officer & Corporate Secretary*

Prior to joining Tectonic, Mrs. Rehaag was Chief Financial Officer at Pathway Capital Ltd. where she managed several private and public mining companies including Sandstorm Gold Ltd. ("Sandstorm") She later joined Sandstorm full-time as Corporate Treasurer. Krysta is a Chartered Professional Accountant (CA) and a Chartered Financial Analyst charter holder. She holds a Bachelor of Mathematics and Master of Accounting from the University of Waterloo.

### *Eric Buitenhuis, P. Geo, Vice President, Exploration*

Mr. Buitenhuis is a Professional Geologist and Qualified Person with experience in cost-effective grassroots discovery and resource delineation. Mr. Buitenhuis began his career with Kaminak in 2011 where he was a core member of the technical team that designed, budgeted, executed and supervised Kaminak's exploration and resource definition programs. Mr. Buitenhuis joined Goldcorp Inc. ("Goldcorp") following their acquisition of Kaminak's Coffee Project in 2016. At Goldcorp, Mr. Buitenhuis oversaw the field activities of the Coffee Gold exploration team. Mr. Buitenhuis holds a Bachelor of Sciences (Honours) in Geology and a Master of Science in Geology, both from the University of Western Ontario and is a Professional Geologist registered in Ontario.

***Eira Thomas, Chair***

Ms. Thomas is a respected Canadian geologist whose career in the Canadian exploration and mining business spans more than 25 years. In the 1990s, she led the Aber Resources Ltd. ("Aber") field exploration team that discovered Diavik, Canada's second diamond mine. Ms. Thomas spent more than 16 years at Aber, becoming Vice-President Exploration in 1997 and joined the Board of Directors in 1998, serving until 2006 when she resigned to focus on her role as CEO of Stornoway Diamond Corporation. Ms. Thomas then served as President, CEO and Director for Kaminak. She is currently a director of Suncor, Lucara Diamond Corp., the Yukon Mineral Advisory Board, the University of Toronto Alumni Association and the University of Toronto President's Internal Advisory Council.

***Curt Freeman***

Mr. Freeman is President of Avalon, a mineral exploration consulting firm based in Fairbanks, Alaska. Mr. Freeman earned his Bachelor's degree in Geology in 1978 from the College of Wooster, Ohio and his Master's Degree in Economic Geology in 1980 from University of Alaska in Fairbanks. Mr. Freeman is a U.S. Certified Professional Geologist with the American Institute of Professional Geologists and is a licenced geologist in the state of Alaska. Mr. Freeman is a Fellow of the Society of Economic Geologists, a member and past director of Alaska Miners Association and a member of the Geological Society of Nevada, Association for Mineral Exploration British Columbia and the Prospectors and Developers Association of Canada. Mr. Freeman also serves as Chairman of the Geological Mapping Advisory Board for the State of Alaska Division of Geological and Geophysical Surveys.

***Allison Rippin Armstrong***

Mrs. Rippin Armstrong has over 25 years of experience in permitting, regulatory processes and environmental compliance, working with Indigenous organizations, resource companies, regulatory agencies, and territorial and federal governments. She served as the Vice President of Sustainability at Kaminak until it was acquired by Goldcorp in 2016.

Ms. Rippin Armstrong served on the board of Yukon Women in Mining as Vice President for three years. She is a founding member of the Yukon University Foundation Board and has served on Northwest Territories and Nunavut Chambers of Mines.

## TIBBS PROPERTY

### Overview

On June 15, 2017, the Company and Tibbs Creek Gold, LLC ("Tibbs") entered into a mining lease and option agreement (the "Tibbs Agreement") where Tibbs granted to the Company the full and exclusive right to use, occupy, and carry out mineral exploration, production, and extraction activities on the Tibbs Property and earn a 100% interest in the Tibbs Property. The Tibbs Property comprises 169 claims covering a total of 5,457.5 hectares ("Ha") located in the Big Delta B1 Quadrangle of the Fairbanks Recording District in the State of

Alaska. The Tibbs Agreement is for a period of 10 years terminating June 15, 2027. The Tibbs Agreement grants Tibbs a 2.5% net smelter return ("NSR"), of which 1.5% can be purchased for \$1,500,000 USD.

### Option Payments and Exploration Commitments

In consideration for the Tibbs Agreement, the Company paid Tibbs \$40,393 (\$30,000 USD) in June 2017 and \$64,940 (\$50,000 USD) in June 2018. The Company is committed to paying a \$50,000 USD option payment each June in 2019-2027 (the "Tibbs Anniversary Payments"). The Company must incur an aggregate amount of \$1,000,000 USD in exploration expenditures by June 15, 2022. Further, the Company has agreed to pay Tibbs a cash payment of \$1,000,000 USD if the Company commences commercial production on the Tibbs Property. The Company has the option to acquire the Tibbs Property at any time during the lease term by making a lump sum payment equal to the aggregate amount of any remaining Tibbs Anniversary Payments. If during the term of the Tibbs Agreement the Company completes a preliminary economy assessment ("PEA"), the Company must make a cash payment of \$25,000 USD each year to Tibbs in addition to the Tibbs Anniversary Payments.

### Exploration Program

#### 2017

Tectonic conducted a field program comprising rock and soil sampling from August 15 to September 5, 2017. A crew of 2 geologists and 4 soil samplers collected 198 rock grab samples and 514 soil samples.

#### 2018

During June 2018, Tectonic performed a Phase I program which involved geological mapping, prospecting of new ground acquired during 2018, rock sampling, limited soil sampling and a 1,266 metre CanDig trenching program. As well as a 605 line-kilometre Dighem V aeromagnetic and electromagnetic survey was flown across the property.

During September 2018, Tectonic performed a Phase II program which involved CanDig trenching and soil sampling.

## NORTHWAY PROPERTY

### Overview

On June 1, 2018, the Company and Doyon, Limited ("Doyon") entered into a mining lease agreement (the "Northway Agreement") where Doyon granted to the Company the full and exclusive right to use, occupy, and carry out mineral exploration, development, and production on the Northway Property. The Northway Property surrounds the village of Northway, Alaska on lands located within the Tanacross Mining District. The property centre is approximately 348 kilometres southeast of Fairbanks and approximately 43 kilometres west of the United States-Canada border. The Northway Agreement is for a period of 15 years terminating June 1, 2033 and includes renewal clauses to extend the lease period up to the entire operational period of a mine. Doyon is

granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production, the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds, and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds.

## Option Payments and Exploration Commitments

In consideration for the Northway Agreement, the Company paid Doyon \$38,893 (\$30,000 USD) in June 2018 and is committed to the following remaining option payments:

- I. \$30,000 USD each January in 2019–2021
- II. \$60,000 USD each January 2022–2027
- III. \$200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study, this annual payment shall be increased to \$300,000 USD.
- IV. \$600,000 USD upon completion of a feasibility study.

The Company has committed to incur the following amounts for exploration expenditures on the Northway Property:

Calendar Years	Amount of exploration expenditures (USD\$)
2018 (commitment fully met)	400,000
2019	600,000
2020–2023	750,000
2024–2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company paid Doyon a scholarship fee of \$33,265 (\$25,000 US) during the year ended December 31, 2018 and is committed to paying a \$25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to \$50,000 USD each year following the commencement of commercial production at the Northway Property.

## Exploration Program

### 2018

Tectonic completed a surface sampling and reconnaissance exploration program between July 19 and August 23, 2018. The objective of the exploration program was to test whether the property has district scale potential for intrusion related Au and/or porphyry Au-Cu mineral systems. Due to the size of the property, this was accomplished through a balance of regional stream sediment and pan concentrate sampling, ridge-top auger soil sampling, infill auger soil sampling at known targets, and targeted geological mapping and prospecting.

For the regional soil sampling a total of 626 samples were collected with minor anomalism detected in the west-central portion of the property.

Infill soil sampling was conducted at Targets 6 and 7. At Target 6 140 auger soils were collected with core copper anomaly confirmed with strike extent of ~1,2400 metres. At Target 7 186 auger soils were collected with core east-west trending gold anomaly > 800 metres in strike detected.

A total of 282 stream sediment, 90 pan concentrate samples, and 30 regional rock grab samples were collected.

The Company excavated a 127 metre CanDig trench at Target 7 and identified a 21-metre corridor of anomalous Au, Ag, As, Bi, Cu, Pb, and Sb.

## SEVENTYMILE PROPERTY

### Overview

On June 1, 2018, the Company and Doyon entered into a mining lease agreement (the "Seventymile Agreement") where Doyon granted to the Company the full and exclusive right to use, occupy, and carry out mineral exploration, development, and production on the Seventymile Property. The Seventymile Property is located approximately 270 kilometres east of Fairbanks, Alaska and approximately 59 kilometres west of Eagle, Alaska. The Seventymile Agreement is for a period of 15 years terminating June 1, 2033, and includes renewal clauses to extend the lease period up to the entire operational period of a mine. Doyon is granted a 2% NSR for precious minerals and a 1% NSR for base minerals until the end of the fourth year of commercial production. Doyon is granted a 4% NSR for precious minerals and a 3% NSR for base minerals from the fifth to tenth anniversary of commercial production. After the tenth anniversary of commercial production, the production royalty for precious minerals is the greater of a 4% NSR or 15% of net proceeds and the production royalty for base minerals is the greater of a 3% NSR or 15% of net proceeds.

### Option Payments and Exploration Commitments

In consideration the Company paid Doyon \$38,892 (\$30,000 USD) in June 2018 and is committed to the following remaining option payments:

- I. \$30,000 USD each January in 2019-2021
- II. \$60,000 USD each January 2022-2027
- III. \$200,000 USD each January 2028 and thereafter. If the Company exercises an option to extend the lease term by another five years after completion of a feasibility study, this annual payment shall be increased to \$300,000 USD.
- IV. \$600,000 USD upon completion of a feasibility study.

The Company has committed to incur the following amounts for exploration expenditures on the Seventymile Property:

Calendar Years	Amount of exploration expenditures (USD\$)
2018 (commitment fully met)	400,000
2019	600,000
2020-2023	750,000
2024-2027	1,500,000
2028 and each calendar year thereafter	2,000,000

Additionally, the Company paid Doyon a scholarship fee of \$33,265 (\$25,000 US) during the year ended December 31, 2018 and is committed to paying a \$25,000 USD scholarship each May for the term of the lease. The scholarship amount increases to \$50,000 USD each year following the commencement of commercial production at the Seventymile Property.

## Exploration Program

### 2018

During the year ended December 31, 2018, Tectonic completed an auger soil sampling and CanDig trenching program. The objective of the program was to test the Greenstone-hosted quartz vein model in the Flume trend. A 1,762 line-kilometre high-definition MIDAS magnetic survey was flown in order to locate lithologic contacts and to precisely geo-reference a geologic map. Subsequently Tectonic sampled the major lithologic contacts and possible shear structures through power auger sampling. During Phase 1 power auger soil sampling the Company collected a total of 280 soil samples. During a Phase II auger soil sampling campaign the Company collected 100 samples. In addition, the Company conducted 106 metres of trenching with a helicopter-portable backhoe.

## MCQ PROPERTY

### Overview

In January 2018 and amended subsequent to December 31, 2018, the Company and Shawn Ryan and Wildwood Holdings Inc. (the "MCQ Option Holders") entered into an option agreement for a 100% interest in the MCQ Property, located in the Mayo District of Yukon, Canada (the "MCQ Agreement"). The MCQ Option Holders are granted a 2.0% NSR of which half is purchasable by the Company for \$2,000,000.



## Option Payments and Exploration Commitments

In consideration the Company paid the MCQ Option Holders \$100,000 in January 2018 and is committed to the following remaining option payments:

Year	Cash Payment \$	Number of common shares of the Company
January 2019	50,000	150,000
November 2019	50,000	150,000
January 2020	100,000	300,000
January 2021	125,000	300,000
January 2022	150,000	300,000
January 2023	200,000	500,000

Subsequent to December 31, 2018, the Company paid the \$50,000 option payment and issued the 150,000 common shares of the Company due January 2019.

The Company has committed to incur the following amounts for exploration expenditures on the MCQ Property:

Year	Amount of exploration expenditures
By November 15, 2018 (commitment fully met)	\$ 300,000
By November 15 in each year of 2020-2021	\$ 500,000
By November 15, 2022	\$ 1,610,000

During the year ended December 31, 2018, the Company issued Shawn Ryan 400,000 common shares with a value of \$0.25 per share for a total issuance of \$100,000 in compensation for previous exploration work performed on the MCQ Property.

## Exploration Program

### 2018

During the year ended December 31, 2018, the Company completed a 965 line-kilometre DighemV airborne survey and collected complete magnetic and EM data for the entire MCQ Property. Subsequent interpretation identified two structural domains, with complex block-faulting and coincident magnetic lows and soil gold anomalism for probe follow-up. An 85 square kilometre LIDAR survey was completed on July 5, 2018. The highly detailed hillshade allowed for detailed lineament analysis over the entire property. A total of 4,565 metres of GeoProbe sampling was completed with no significant results detected. Two trenches totalling 200 metres were completed during a follow-up CanDig trenching program with no evidence for bedrock gold mineralization encountered.

## SUMMARY CONSOLIDATED FINANCIAL RESULTS

	Year Ended December 31, 2018	For the period April 7- December 31, 2017
<b>EXPENSES</b>		
Exploration expenses	\$ 3,416,866	\$ 430,677
Administration expenses	510,653	202,050
Foreign exchange loss	14,366	4,155
<b>Loss and comprehensive loss for the period</b>	<b>\$ (3,941,855)</b>	<b>\$ (636,882)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.14)</b>	<b>\$ (0.07)</b>

	December 31, 2018	December 31, 2017
Cash	\$ 2,079,340	\$ 157,210
Total assets	2,566,738	222,997

During the year ended December 31, 2018, the Company incurred a \$3,941,855 loss, which was higher than the \$636,882 loss during the period April 7- December 31, 2017 mainly due to higher exploration expenses. Exploration expenses increased due to the acquisition of three additional option agreements during 2018 and the Company conducting an exploration program on all four properties.

The following table details the nature of exploration expense per property:

	MCQ	Tibbs	Seventymile	Northway	Project Support	Total for the year ended December 31, 2018
Registration fees	\$ 15,599	\$ 47,091	\$ -	\$ 17,176	\$ 195	\$ 80,061
Scholarship fees	-	-	33,265	33,265	-	66,530
Trenching & helicopter	-	377,266	207,002	174,541	-	758,809
Pre-season work	-	57,681	-	-	-	57,681
GeoProbe sampling	290,679	76,345	69,211	-	-	436,235
Soil and rock sampling	100,000	-	106,090	422,907	-	628,997
Geophysical surveying	185,072	201,714	228,943	-	81	615,810
Drilling	58,747	-	-	-	-	58,747
Geological consulting	6,892	13,670	13,443	2,146	14,135	50,286
Salary & legal costs	69,361	182,534	159,687	166,973	-	578,555
Other	8,974	13,243	8,025	5,245	49,668	85,155
<b>Total exploration expenditures</b>	<b>\$ 735,324</b>	<b>\$ 969,544</b>	<b>\$ 825,666</b>	<b>\$ 822,253</b>	<b>\$ 64,079</b>	<b>\$ 3,416,866</b>

	MCQ	Tibbs	Seventymile	Northway	Project Support	Total for the period April 7–December 31, 2017
Registration fees	\$ 3,872	\$ 22,745	\$ -	\$ -	\$ -	\$ 26,617
Trenching & helicopter	-	217,856	-	-	-	217,856
Geological consulting	-	4,550	-	-	14,981	19,531
Salary & legal costs	23,964	23,298	85,408	28,632	758	162,060
Other	-	1,546	-	2,494	573	4,613
<b>Total exploration expenditures</b>	<b>\$ 27,836</b>	<b>\$269,995</b>	<b>\$ 85,408</b>	<b>\$ 31,126</b>	<b>\$ 16,312</b>	<b>\$ 430,677</b>

The loss of \$3,941,855 from the year ended December 31, 2018 was higher than the loss of \$636,882 from the period April 7–December 31, 2017 also due to higher administrative expenses. Administrative expenses increased due to the hiring of additional staff: at December 31, 2018 there were 6 full-time employees and 1 part-time employee compared to at December 31, 2017 whereby the Company had 2 full-time employees. As well, professional fees increased during to an increase in activity in the Company.

The administration expenses for the Company are as follows:

	For the year ended December 31, 2018	For the period April 7–December 31, 2017
Employee benefits and salary	\$ 203,178	\$ 110,516
Professional fees	103,726	26,509
Travel and meals	65,604	33,023
Insurance	13,447	2,476
Marketing	49,096	9,585
Other	75,602	19,940
<b>Total administration expenses</b>	<b>\$ 510,653</b>	<b>\$ 202,050</b>

Cash and total assets increased December 31, 2018 from December 31, 2017 due to the Company completing a private placement April 13, 2018 and raising gross proceeds of \$6,294,825 (the "April 2018 Private Placement"). The Company spent partial of the proceeds raised for the 2018 exploration program and for general working capital.

## QUARTERLY RESULTS

Three Months Ended:	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Exploration expenses	\$ 594,137	\$ 1,739,788	\$ 967,665	\$ 115,276
Administrative expenses	321,129	69,226	67,660	52,638
Foreign exchange loss (gain)	18,357	(6,022)	2,031	-
<b>Loss and comprehensive loss</b>	<b>\$ (933,623)</b>	<b>\$ (1,802,992)</b>	<b>\$ (1,037,356)</b>	<b>\$ (167,914)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>

The Company's loss and exploration expenses increased from Q1 2018 after the acquisition of three additional mineral lease agreements and the exploration programs conducted on all four of the Company's properties. Administrative expenses increased Q4 2018 due to the hiring of three full-time employees and due to an increase of professional fees resulting from increased activity in the company including an accrual for the 2018 financial statement audit.

The Company has not prepared quarterly financial statements for the period April 7–December 31, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

### Summary of cash position and changes in cash

	For the year ended December 31, 2018	For the period April 7–December 31, 2017
Cash flow used in operating activities	\$ (3,868,079)	\$ (569,483)
Cash flow used in investing activities	(339,164)	(59,886)
Cash flow provided by financing activities	6,142,624	789,662
Effect of foreign exchange on cash	(13,251)	(3,083)
<b>Net change</b>	<b>1,922,130</b>	<b>157,210</b>
<b>Cash — end of period</b>	<b>\$ 2,079,340</b>	<b>\$ 157,210</b>

As at December 31, 2018, the Company had a working capital of \$2,060,669 compared to working capital of \$94,132 as at December 31, 2017. The increase in working capital resulted from an increase in net cash.

Cash flow used in operations was higher during the year ended December 31, 2018 compared to April 7–December 31, 2017 due to an increase in exploration expenditures.

Cash flow used in investing activities was higher during the year ended December 31, 2018 compared to April 7–December 31, 2017 due to an increase in acquisition payments made for exploration and evaluation assets from the acquisition of 3 additional mineral lease agreements.

Cash flow provided by financing activities was higher during the year ended December 31, 2018 compared to April 7–December 31, 2017 as a result of the April 2018 Private Placement.

### **Going concern**

The consolidated financial statements and financial results discussed herein of the Company were prepared assuming Tectonic will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

### **Commitments**

During the year ended December 31, 2018, the Company signed an office lease agreement to pay rent for the year ended December 31, 2019 of \$20,805 and for the year ended December 31, 2020 of \$9,252.

### **Capital Management**

The Company manages its capital structure based on the funds available to the Company in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and warrants.

The properties in which the Company currently has an interest are in the exploration stage and are not positive cash-flow generating; as such the Company has historically relied on the equity markets to fund its activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2018 and the period April 7–December 31, 2017.

## SHAREHOLDER'S EQUITY

Tectonic is authorized to issue an unlimited number of common shares without par value. As at December 31, 2018 and date of this report:

	Common Shares	Share purchase warrants
As at December 31, 2018	35,010,059	4,100,000
Common shares issued for option payment	150,000	-
<b>As at date of report</b>	<b>35,160,059</b>	<b>4,100,000</b>

### 2017 and 2018 Issuances

On June 9, 2017, the Company issued 4,000,000 common shares to directors of the Company at a price of \$0.01 per share for total proceeds of \$40,000.

On June 16, 2017, the Company issued 8,200,000 units at a price of \$0.05 per unit for gross proceeds of \$410,000. Each unit is comprised of one common share and half a warrant. Each full warrant is convertible into one common share at an exercise price of \$0.10 and expires June 16, 2022.

The proceeds received from the 2017 financings were used for the 2017 exploration work program described in "Tibbs Property – Exploration Program 2017" and for general working capital requirements.

On April 12, 2018, the Company completed an employee financing and issued 1,020,000 common shares at a price of \$0.10 per share for gross proceeds of \$102,000.

On October 5, 2017, the Company declared an early warrant financing. To incentivize warrant holders to exercise their warrants, each warrant exercised would be exchanged for a common share and an additional warrant. Each new warrant would be convertible into one common share at an exercise price of \$0.25 and expire June 16, 2022. During the year ended December 31, 2018, 3,380,000 previously issued warrants were exercised under the early exercise financing for total proceeds of \$338,000.

On April 13, 2018, the Company completed a private placement financing and issued 17,985,214 common shares at a price of \$0.35 per share for gross proceeds of \$6,294,825. Financing costs incurred were \$242,201 resulting in net proceeds of \$6,052,624.

The total proceeds received from the 2018 financings were used for the 2018 exploration work program described in the Tibbs Property, Northway Property, and Seventymile Property sections and for general working capital requirements.

## Subsequent Issuance

On January 19, 2019, the Company issued 150,000 common shares valued at \$52,500 pursuant to the MCQ Property Agreement.

## Share Purchase Warrants

A summary of the Company's warrants and changes during the period are as follows:

	Number of warrants	Shares to be issued upon exercise of the warrants	Weighted average exercise price (\$)
Balance — April 7, 2017	-	-	-
Issued	4,100,000	4,100,000	0.10
<b>Balance — December 31, 2017</b>	<b>4,100,000</b>	<b>4,100,000</b>	<b>0.10</b>
Issued	3,380,000	3,380,000	0.25
Exercised	(3,380,000)	(3,380,000)	(0.10)
<b>Balance — December 31, 2018 and June 14, 2019</b>	<b>4,100,000</b>	<b>4,100,000</b>	<b>0.22</b>

Warrants outstanding as at December 31, 2018 and June 14, 2019 are as follows:

Number outstanding	Exercise price per share	Expiry date
720,000	\$ 0.10	June 16, 2022
3,380,000	\$ 0.25	June 16, 2022
<b>4,100,000</b>		

## REGULATORY DISCLOSURES

### Related Party Transactions

The Company's related parties include its subsidiaries and key management personnel which include officers, directors, or companies with common directors of the Company. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

The Company incurred the following expenses with key management personnel as follows:

	For the year ended December 31, 2018	For April 7–December 31, 2017
<b>EMPLOYEE SALARIES AND BENEFITS</b>		
Administration expense	\$ 151,468	\$ 10,374
Exploration expense	270,693	213,763
Professional fees (1)	9,000	14,000
Exploration expense (2)	1,555,702	-

- 1) From June 9, 2017 to October 1, 2018 the Company paid Zara Boldt for her consulting services as Chief Financial Officer and Corporate Secretary of the Company. Ms. Boldt ceased being an officer of the Company on October 1, 2018.
- 2) The Company paid Avalon Development Corp. ("Avalon") for exploration services received. Avalon's President is Curt Freeman, who is also a director of the Company.

### New and Amended IFRS Pronouncements

The following standard applicable to the Company is not yet effective and has not been applied in preparing the consolidated financial statements.

#### IFRS 16: LEASES

The IASB issued IFRS 16 to replace IAS 17: Leases. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company has determined the impact of this new standard will require the capitalization of an office lease agreement and increased disclosure.

### New Accounting Policies Adopted

#### IFRS 9: FINANCIAL INSTRUMENTS

The IASB issued IFRS 9 to replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 introduced a revised model for classification and measurement. The Company early adopted IFRS 9 effective April 7, 2017.



**IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS**

IFRIC 23 is applied to the determination of taxable profit or loss, unused tax losses, unused tax credits, tax rates and tax bases, when there is uncertainty about income tax treatment under IAS 12 Income Taxes. The Company early adopted IFRIC 23 effective April 7, 2017.

## FINANCIAL INSTRUMENTS

### Financial Assets and Liabilities

The Company's financial assets, which consist of cash, and financial liabilities, which consist of trade and other payables, are both classified as amortized cost. The value of cash and trade and other payables approximates their carrying values as December 31, 2018 and December 31, 2017 due to their short-term nature.

### Financial Risk Factors

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency, and price risk.

#### Credit risk

The Company is exposed to industry credit risks arising from its cash. The Company manages credit risk by holding cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is nominal.

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company has in place a planning and budgeting process to help determine the funds required to support the Company's operating requirements on an ongoing basis and assess available and required sources of additional capital and financing.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2018.

### **Foreign currency risk**

The Company is exposed to nominally foreign currency risk on fluctuations related to cash and trade and other payables that are denominated in United States Dollars.

### **Price risk**

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

## **RISKS TO TECTONIC**

### **Exploration Stage Company**

The Company is an exploration stage company and cannot give assurance that a commercially viable deposit, or "reserve," exists on any properties for which the Company currently has or may have (through potential future joint venture agreements or acquisitions) an interest. Therefore, the determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If the Company fails to find a commercially viable deposit on any of its properties, its financial condition and results of operations will be materially adversely affected.

### **No Mineral Resources**

Currently, there are no mineral resources (within the meaning of NI 43-101) on any of the properties in which the Company has an interest. Only those mineral deposits for which there are reasonable prospects for eventual economic extraction, based on a comprehensive evaluation of form, grade or quality and quantity, are considered mineral resources.

### **No Mineral Reserves**

Currently, there are no mineral reserves (within the meaning of NI 43-101) on any of the properties in which the Company has an interest. Only those mineral deposits that the Company can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered mineral reserves.

### **Mineral Exploration and Development**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral

deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Substantial expenditures are required to establish ore reserves through exploration and drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities and grades to justify commercial operations or that funds required for development can be obtained on a timely basis. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to reserves, such as the need for the orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

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## First Nations Land Claims

Certain of the Company's mineral properties may now or in the future be the subject of First Nations land claims. The legal nature of First Nations land claims is a matter of considerable complexity. The impact of any such claim on the Company's material interest in the Company's mineral properties and/or potential ownership interest in the Company's mineral properties in the future, cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of First Nations rights in the areas in which the Company's mineral properties are located, by way of negotiated settlements or judicial pronouncements, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with and seek the approval of holders of First Nations interests in order to facilitate exploration and development work on the Company's mineral properties, there is no assurance that the Company will be able to establish practical working relationships with the First Nations in the area which would allow it to ultimately develop the Company's mineral properties.

Many lands in the U.S. and elsewhere are or could become subject to First Nations land claims to title, which could adversely affect the Company's title to its properties.

## Negative Cash Flow from Operating Activities

The Company has no history of earnings and had negative cash flow from operating activities since inception. The Company's mineral properties are in the exploration stage and there are no known mineral resources or reserves and the proposed exploration programs on the Company's mineral properties are exploratory in nature. Significant capital investment will be required to achieve commercial production from the Company's existing projects. There is no assurance that any of the Company's mineral properties will generate earnings, operate profitably or provide a return on investment in the future. Accordingly, the Company will be required to obtain additional financing in order to meet its future cash commitments.

## Going Concern Risk

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financings and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financings or in achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

## Infrastructure

Exploration, development and processing activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the Company's mineral properties. If adequate infrastructure is not available in a timely manner, there can

be no assurance that the exploration or development of the Company's mineral properties will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect our operations.

Exploration operations depend on adequate infrastructure. In particular, reliable power sources, water supply, transportation and surface facilities are necessary to explore and develop mineral projects. Failure to adequately meet these infrastructure requirements or changes in the cost of such requirements could affect the Company's ability to carry out exploration and future development operations and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

### **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including the price of gold on world markets, labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

### **Climate Change Risks**

The Company acknowledges climate change as an international and community concern, and it supports and endorses various initiatives for voluntary actions consistent with international initiatives on climate change. However, in addition to voluntary actions, governments are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Where legislation already exists, regulation relating to emission levels and energy efficiency is becoming more stringent. Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, the Company expects that this could result in increased costs at some of its operations in the future.

The Company and the mining industry are facing continued geotechnical challenges, which could adversely impact the Company's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as landslides, floods, seismic activity, droughts and pit wall failures, may occur in the future, and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and considerable rainfall. Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of the Company's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Company's business results of operations and financial position.

### **Material Contract Obligations**

The agreements pursuant to which the Company acquired its interest in its properties provide that the Company must make a variety of payments in cash and common shares over certain time periods and expend certain minimum amounts on the exploration of its properties. If the Company fails to make such payments or expenditures in a timely fashion, the Company may lose its interest in one or more of the properties.

## Information Systems and Cyber Security

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.tectonicmetals.com](http://www.tectonicmetals.com).

## CAUTIONARY STATEMENTS

### Forward-looking Information

All statements in this presentation, other than statements of historical fact, are "forward-looking statements" or "forward looking information" with respect to Tectonic within the meaning of applicable securities laws, including statements that address pro forma capitalization tables, the size and use of proceeds of any proposed financings, the discovery and development of gold deposits, potential size of a mineralized zone, potential expansion of mineralization and timing of exploration and development plans. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", and similar expressions, or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management at the date the statements are made including, among others, assumptions regarding timing of exploration and development plans at the Company's mineral projects; timing and

completion of proposed financings; timing and likelihood of deployment of additional drill rigs; successful delivery of results of metallurgical testing; the release of an initial resource report on any of our properties; assumptions about future prices of gold, copper, silver, and other metal prices; currency exchange rates and interest rates; metallurgical recoveries; favourable operating conditions; political stability; obtaining governmental approvals and financing on time; obtaining renewals for existing licences and permits and obtaining required licences and permits; labour stability; stability in market conditions; availability of equipment; accuracy of historical information; successful resolution of disputes and anticipated costs and expenditures. Many assumptions are based on factors and events that are not within the control of the Company, and there is no assurance they will prove to be correct.

Such forward-looking information involves known and unknown risks, which may cause the actual results to be materially different from any future results expressed or implied by such forward-looking information, including, but not limited to, the cost, timing and success of exploration activities generally, including the development of new deposits; possible variations in grade or recovery rates; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; uses of funds in general including future capital expenditures, exploration expenditures and other expenses for specific operations; the timing, timeline and possible outcome of permitting or license renewal applications; government regulation of exploration and mining operations; environmental risks; the uncertainty of negotiating with foreign governments; expropriation or nationalization of property without fair compensation; adverse determination or rulings by governmental authorities; delays in obtaining governmental approvals; possible claims against the Company; the impact of archaeological, cultural or environmental studies within property areas; title disputes or claims; limitations on insurance coverage; the interpretation and actual results of historical operators at certain of our exploration properties; changes in project parameters as plans continue to be refined; current economic conditions; future prices of commodities; and delays in obtaining financing. The Company's forward-looking information reflect the beliefs, opinions and projections on the date the statements are made. The Company assumes no obligation to update forward-looking information or beliefs, opinions, projections, or other factors, should they change, except as required by law.

### **Scientific and Technical Information**

Scientific and technical information presented in this MD&A above has been approved by Eric Buitenhuis, M.Sc., P.Geo, Vice President, Exploration, a qualified person who by reason of education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, fulfills the requirements of a Qualified Person as defined in NI 43-101.